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THE IATA ATC ENHANCEMENT & FINANCING SERVICE AND FUNDING AVIATION TRAINING

ABSTRACT

Certain limitations result in the inability of many ATC authorities to bill and collect their respective air navigation charges. Without the continued flow of revenue from such charges, it would be difficult, if not impossible, for these ATC authorities to continue to operate. To assist ATC authorities in the billing and collection of air navigation charges, IATA created its ATC Enhancement and Financing (E&F) Service in 1991. This service has been particularly successful in obtaining payment of the air navigation charges billed on behalf of authorities. Furthermore, the IATA ATC E&F Service has proven to be useful in securing financing for equipment and training as well as for making payments of various financial obligations. IATA is pleased to avail itself to meet with any ATC authority to discuss the establishment of a billing and collection system on their behalf and how this may assist in the funding of aviation training.

INTRODUCTION

It is indeed a pleasure to speak on IATA's ATC Enhancement and

Financing (E&F) Service in the context of Funding Strategies to Support Aviation Training. However, before I begin discussing IATA's ATC E&F Service, let me just say a few words about IATA, the International Air Transport Association, and why IATA is billing and collecting air navigation charges.

WHAT IS IATA?

IATA is the worldwide association of international airlines. IATA was established in 1945, and today is comprised of 264 member airlines from some 180 States. Member airlines of IATA now represent more than 98% of the world's scheduled international airline traffic.

As the international organisation of airlines, the Mission of the Association is to "Represent and serve the airline industry". Among the Goals of IATA, the following are particularly relevant in the context of our ATC E&F Service:

- **To promote safe, reliable and secure air services:** Obviously,

safety and security will always be fundamental to airline operations. In this regard, IATA plays a role in coordinating and promoting the best practices available.

- **To provide high quality, industry-required products and services:** This goal is certainly important in meeting the needs of the airline industry and its customers.
- **To develop cost-effective standards and procedures to facilitate the operation of international air transport:** In the context of international air transportation, it would be virtually impossible for airlines to operate without uniform standards and procedures. In this regard, IATA plays a crucial role in assisting in their development and implementation.

In consideration of IATA's Mission and these stated goals, I would now like to describe to you why IATA is billing and collecting air navigation charges.

WHY IS IATA BILLING AND COLLECTING ATC CHARGES?

As I helped IATA create and establish the ATC E&F Service, personally, I think the reason why we are billing and collecting ATC charges is rather interesting. Essentially, IATA became involved in the billing and collection of ATC charges because of 2 historical developments.

One development was the civil war in Liberia, which was raging in 1990. As a result of the conflict, Roberts Flight Information Region (FIR), which controls the airspace of Guinea, Liberia,

and Sierra Leone, had to evacuate from Monrovia to neighbouring Sierra Leone. While the airspace was still open and Roberts FIR was continuing to provide its air navigation services, it did not have the ability to bill and collect its overflight charges as its records and systems had to be left behind in the evacuation.

Initially, Roberts FIR requested the assistance of the International Civil Aviation Organization (ICAO). However, at the time, ICAO was not able to assist as it had no mandate to become involved in the billing and collection of air navigation charges of any member State or group of States.

Roberts FIR then approached IATA. Obviously, from the perspective of the members of IATA and civil aviation, it was very important that Roberts FIR remain open and functioning. We also appreciated that without the collection of its ATC charges, it would not be able to continue to operate.

The other historical development was the opening of Albanian airspace. You may recall that prior to 1990, Albania had a very strict government and had very few relations with other countries. However, in 1990, there was a change in government very much like what was happening at that time in Eastern Europe and the Soviet Union.

With the change in government, Albania opened its airspace to commercial civil aviation. For airlines, this came at a crucial time because of the ongoing civil war in neighbouring Yugoslavia and the opening of Albanian airspace provided very badly needed additional air routes through the region. However, because

of the very rapid changes in its government, Albania had no infrastructure to handle the billing and collection of its air navigation charges. Again, similar to the situation in Liberia, it was necessary that a billing and collection system for air navigation charges be established in order that the air traffic control system could operate.

Therefore, it was these two historical developments, the Liberian civil war and the opening of Albanian airspace, which launched IATA into the billing and collection of air navigation charges in 1991. At that time, we thought that perhaps we could eventually be doing the billing and collection of ATC charges for a few more States because of situations similar to that of Liberia and Albania. However, we then saw another very significant development, i.e. the break-up of the Soviet Union.

With the break-up of the Soviet Union, the former republics became independent States with sovereignty over their airspace. Initially, the billing and collection of air navigation charges of these new independent States continued to be done centrally in Moscow. However, it became apparent that these States wished to become independent from Moscow's influence but, unfortunately, they did not have the infrastructure to bill and collect ATC charges themselves. Again, IATA was able to assist and initially was doing the billing and collection of the air navigation charges of 13 of the 15 former Soviet republics, including Russia. The only 2 republics that we did not handle were Estonia and Lithuania.

As they say, "The rest is history." The IATA ATC E&F Service has proven to be particularly effective and efficient in the obtaining payment of ATC charges billed on behalf of States. Today, the IATA ATC E&F Service is providing its services to 29 ATC authorities. (See Figure 1.)

From this list, you will note that IATA's service extends from the Far East, through Central Asia and Eastern Europe, to Africa, and the Latin American and Caribbean Region. I should also mention that discussions are ongoing with several other States and we anticipate that more States will be using our service within the next few months.

- Afghanistan
- Albania
- Angola
- Armenia
- Azerbaijan
- Burundi
- Cape Verde
- Colombia
- CSSI (As/Pac RVSM GMS)
- DR Congo
- Georgia
- IACL (Trinidad & Tobago)
- Jamaica
- Kazakhstan
- DPR Korea
- Kyrgystan
- Moscow ATC Center (Approach)
- Netherlands Antilles
- Oman
- Roberts FIR (Guinea, Liberia, Sierra Leone)
- Russia (Overflight)
- Seychelles
- Southern African Development Community (VSAT Network)
- UNOSOM (Somalia)
- Tajikistan

- Tanzania
- Turkmenistan
- Uganda
- Zambia

Figure 1

WITHOUT IATA AS A PARTNER

Let's look at how many States are typically billing and collecting air navigation charges. (See Figure 2.)

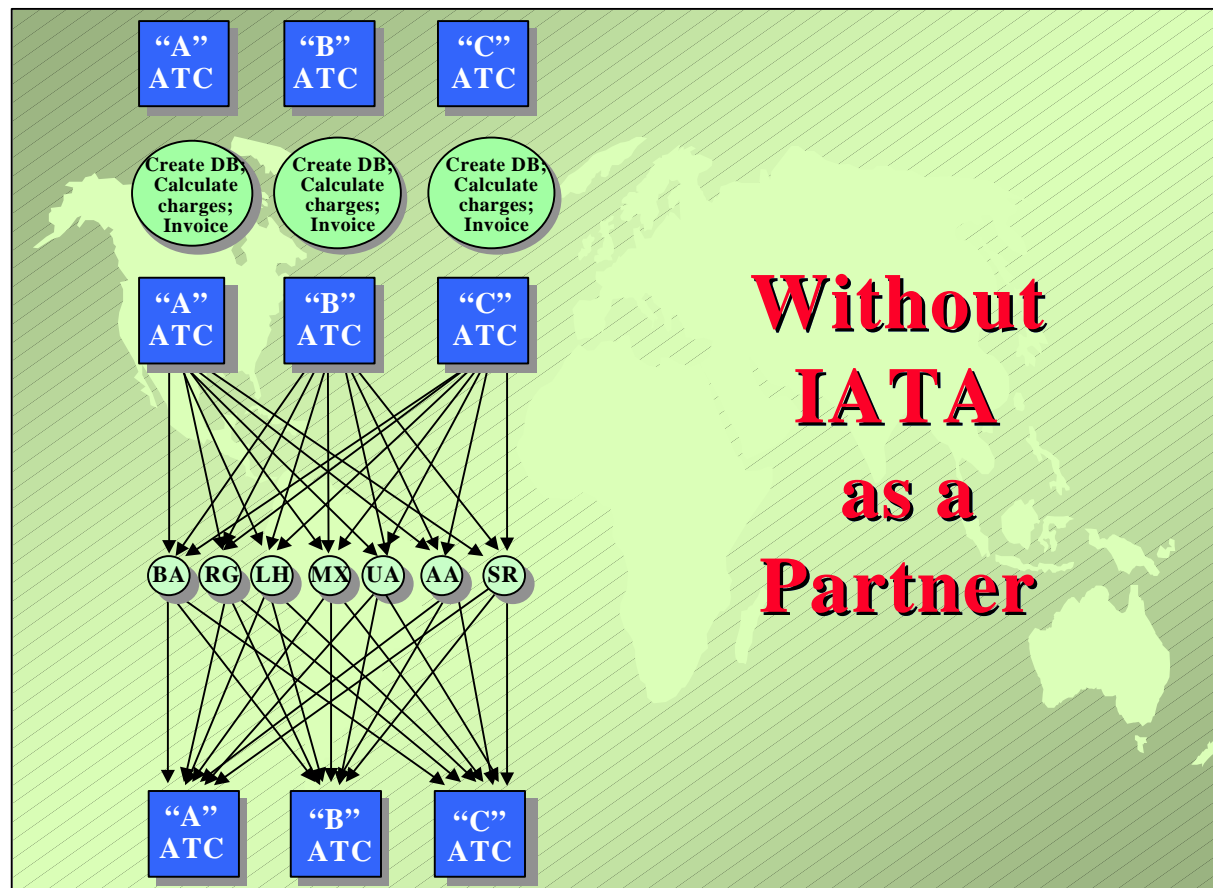


Figure 2

In this illustration, I have used the example of 3 separate ATC authorities:

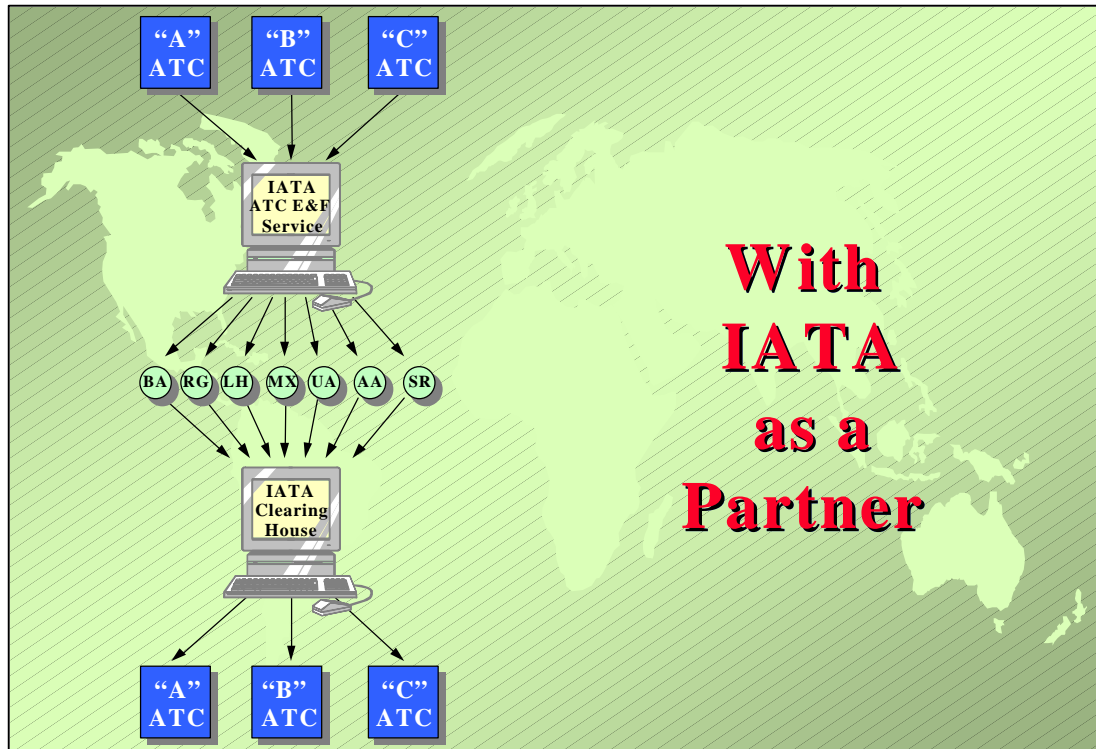
1. First of all, at the top, we see that daily records, pre-recorded flight plans and other data maintained by each ATC authority are the sources of information for the billing and collection of air navigation charges.
2. Each ATC authority then processes this information using the applicable

charging formula to create an invoice.

3. Each ATC authority then separately invoices each airline and operator who has used its airspace during a

WITH IATA AS A PARTNER

Now, let's see how IATA's centralised ATC billing and collection system works. (See Figure 3.)



month. Therefore, each ATC authority must determine how much airlines and operators owe to it and how much it expects to receive.

4. From the perspective of airlines and operators, they receive invoices from a multitude of ATC authorities and, in turn, must prepare a multitude of payments to the various ATC authorities.
5. Finally, each ATC authority receives a multitude of payments at different times and in different forms.

1. In this illustration, we see that the 3 ATC authorities send the monthly data on flights using their respective airspaces to IATA.
2. The IATA ATC E&F Service then prepares and mails invoices to all airlines and operators for whom data is received. This includes non-scheduled operators and general aviation.
3. Airlines and operators receive just one consolidated invoice from IATA for all flights operated in the airspace of the ATC authorities represented by IATA. IATA's invoices are payable within 30 days.
4. In response to IATA's invoices, airlines and operators make just one payment to IATA. In this regard,

Figure 3

here, I would like to make special mention of the role of IATA's Clearing House.

5. The IATA Clearing House began its operations fifty-two years ago in January 1947. Essentially, the Clearing House provides a facility for the settlement of

inter-company payables and receivables between airlines. However, as IATA operates the Clearing House on behalf of the airlines, it also provides airlines with the unique ability to pay IATA invoices for air navigation charges through the Clearing House. Indeed, 80% of the airlines invoiced by IATA for ATC charges choose to pay these through the IATA Clearing House, rather than paying by cheque or bank transfer.

6. Finally, the IATA ATC E&F Service remits the relevant amounts collected on behalf of each ATC authority in one single monthly transfer.

COMPARISON OF INDIVIDUAL SYSTEMS TO A CENTRALISED SYSTEM

Having discussed the billing and collection systems of individual ATC authorities and IATA's centralised system, let's look at a side by side comparison of these systems. (See Figure 4.)

I think that you can see that there are some definite benefits to both the ATC authorities and the airlines of a centralised billing and collection system in comparison to individual systems:

1. Just in the transmission of data only to IATA, rather than a multitude of airlines and operators, provides greater efficiencies and savings.
2. Similarly, from the perspective of the airlines and operators, it is much easier for them to receive just one consolidated invoice, rather than a

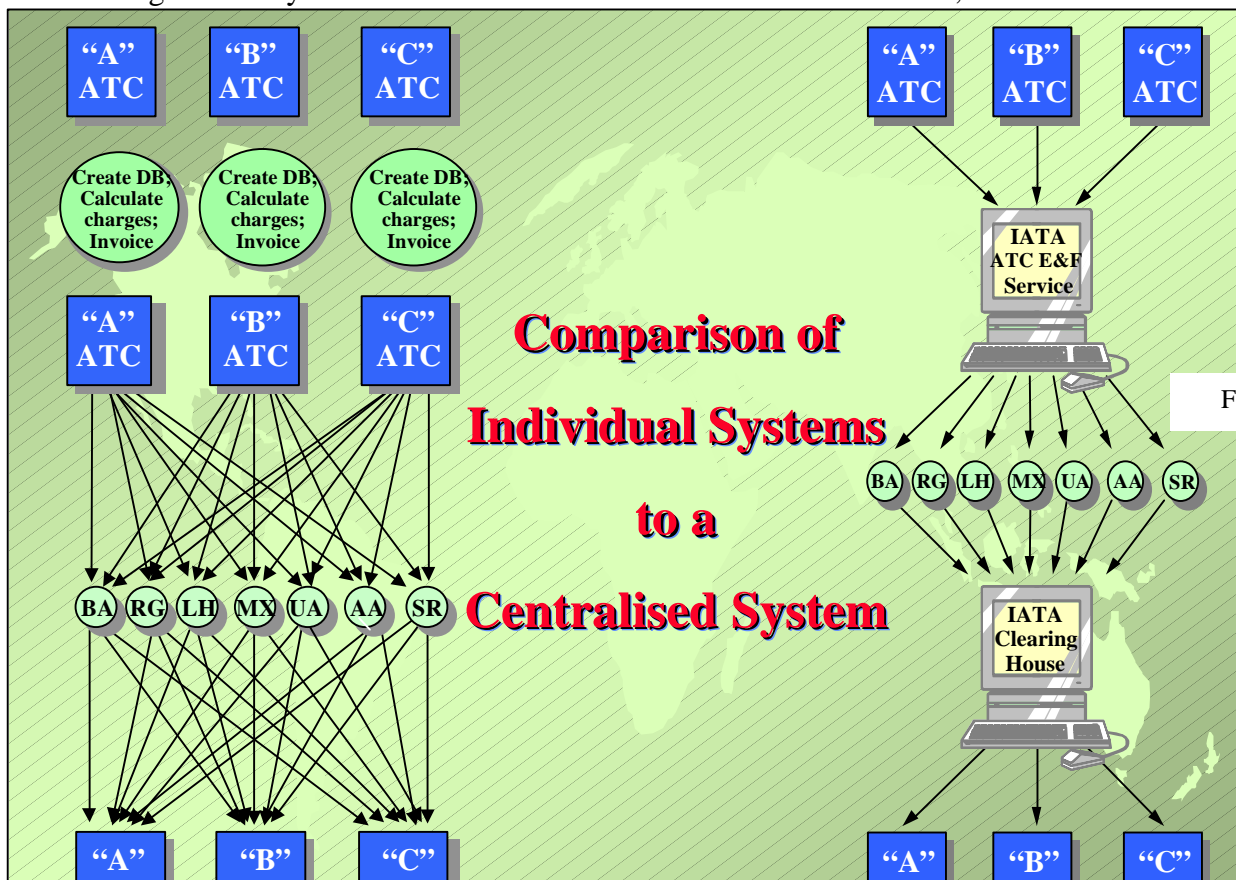


Figure 4

variety of ATC invoices.

3. With respect to payments, from the side of the ATC authorities, it is obviously easier to receive just one payment of all overflight charges rather than different

payments and different times. From an airline's perspective, it is also more efficient and simple to make just one payment for all the various ATC charges it owes.

4. Through the operation of its centralised system, over the past 8 years, we believe that we have seen some very distinct advantages of the IATA ATC E&F Service.

ADVANTAGES OF THE IATA ATC ENHANCEMENT & FINANCING SERVICE

As I previously indicated, most members of the IATA Clearing House choose to settle IATA invoices for air navigation charges through this facility, either by a standing authorisation or by written authorisation. This results in quicker payments of air navigation charges. Settlement of IATA invoices through the IATA Clearing House is accomplished on a monthly basis, meaning that airline accounts with the Clearing House are debited on the fifteenth day of each month. Therefore, payments made through the Clearing House are credited to the relevant ATC authority's account in approximately 45 days from the last day of the month for which an airline is being invoiced.

Due to our contractual obligations of confidentiality, I cannot specify the rates of recovery of IATA's invoices for air navigation charges. However, our

experience has shown that ATC authorities see improved recovery of charges through IATA's ATC E&F Service. We should bear in mind that rates of recovery will vary considerably from authority to authority due the different airlines and operators which may use their respective FIRs. However, in general terms, the rates of recovery of IATA invoices for air navigation charges for some ATC authorities have been as high as 100% for some months. Obviously, any improvement in the recovery of air navigation charges can mean additional revenues to States of several millions of dollars.

ATC authorities also realise additional savings on their costs through reduced workloads as they do not have to bill many different airlines and operators nor do they have to administer the payments of these airlines and operators. Similarly, ATC authorities realise savings on bank charges because they receive just one payment each month for all air navigation charges, rather than several payments at different times and in different forms.

Another significant advantage of the IATA ATC E&F Service is the securing of financing of ATC equipment, facilities, and training. In this regard, our experience has shown that because IATA collects a significant amount of air navigation charges automatically through the IATA Clearing House and initially holds all funds collected on behalf of ATC authorities in Switzerland, suppliers and financial institutions are provided with a high level of comfort that financial obligations will be paid without being encumbered by such things as exchange

controls, currency devaluations, etc. Indeed, we have worked with ATC authorities, suppliers, and financial institutions on infrastructure projects which are partially funded by ATC revenues collected by IATA.

In a similar vein, because the ATC charges collected by IATA are initially held in Switzerland, arrangements can be made to ensure for easier payments of financial obligations of ATC authorities. In fact, several ATC authorities choose to make payments on their respective financial obligations directly from the funds held by IATA on their behalf. Again, this avoids the problems with exchange controls and devaluations.

As I will discuss shortly, these advantages are especially relevant in the context of funding aviation training.

BARRIERS TO FUNDING AVIATION TRAINING

There are many obstacles that impede the funding of aviation training. Some are of a financial nature, some are political, others are technical, and in most cases, it is a combination of all three. I will not go into a discussion of these obstacles, as I am sure that you are all too familiar with them. However, the lack of funding of aviation training does have significant implications for international civil aviation, which obviously concerns IATA.

WHAT IS AT STAKE?

In many parts of the world, ATC systems are at or near capacity. Unless there are sufficient numbers of properly trained professionals to support the aviation infrastructure, airline industry

growth will be stifled. Indeed, infrastructure improvements can lead to shortening of air routes and access by aircraft to more fuel-efficient altitudes. In addition, increases in airport capacity can bring greater flexibility to the airlines in the form of additional slots. It should also be remembered that airlines make significant investments in aircraft and equipment in anticipation of operational benefits, which may not be achieved if governments do not provide adequate aviation infrastructure. Furthermore, if the supporting aviation infrastructure is not provided, there are clear safety implications. Finally, as airlines pay for almost all aviation infrastructure expenditures, there are distinct possibilities that additional costs will be passed-on to the airlines in the form of increased user charges.

THE IATA ATC E&F SERVICE AND FUNDING AVIATION TRAINING

Bearing in mind what is at stake for the airline industry if sufficient funding is not made available for training to support the aviation infrastructure, I would like to describe how the IATA ATC E&F Service has assisted authorities in this regard. First of all, as previously mentioned, the ATC E&F Service has improved the recovery of charges. Therefore, this has meant that ATC authorities have previously unrealised funds at their disposal for use for aviation training.

Another way the ATC E&F Service has assisted in funding aviation training is to establish dedicated accounts on behalf of the ATC authorities with whom we are working. These dedicated accounts are funded by a portion of the air navigation

charges collected by the ATC E&F Service on behalf of an authority. The funds in these dedicated accounts are then available for use in payment of costs related to training.

As I indicated earlier, the ATC E&F Service also has proven to be useful for authorities in securing financing of equipment and training. This is because the Service collects a significant amount of air navigation charges automatically through the IATA Clearing House and initially holds all funds collected on behalf of the authorities in Switzerland. We then arrange for such financial obligations to be repaid automatically from a portion of the charges collected on behalf of the ATC authorities.

Finally, as the air navigation charges collected by the ATC E&F Service are initially held in Switzerland in U.S. Dollars, we have made payments on behalf of ATC authorities directly to training institutions and suppliers from the funds held on behalf of the authorities. This has avoided problems in obtaining Central Bank clearances, and with exchange controls and devaluations.

WHY IATA?

I hope I have answered the question of why IATA is billing and collecting air navigation charges. And, in doing so, I also hope I have provided a general idea as to how IATA's ATC Enhancement and Financing Service is assisting in providing funding for aviation training. In this regard, I think it is very important to remember that the billing and collection of air navigation charges on behalf of ATC authorities is pursuant to IATA's goals to:

- Promote safe, reliable and secure air services;
- Provide high quality, industry-required products and services; and,
- Develop cost-effective standards and procedures to facilitate the operation of international air transport.

Notwithstanding these goals, I would also hope that you would share our view that IATA is a recognised professional international organisation, which is uniquely positioned to offer its services to States anywhere in the world.

IATA certainly believes that its ATC Enhancement and Financing Service can be of assistance to any ATC authority, especially with respect to alleviating the problem of the under-collection of amounts invoiced for air navigation charges. Since our modest beginnings in 1991, the number of States which have come to rely upon the IATA ATC E&F Service continues to grow. Therefore, IATA is most pleased to avail itself to meet with any ATC authority to discuss establishment of a billing and collection system on their behalf and how this may assist in the funding of aviation training